



8/21/2024

# Village Farms International (VFF)

Company update: Overweight

US\$Mn								
Sales	CY22a	CY23a	CY24e	Prev	CY25e	Prev	CY26e	Prev
1Q	70.2	64.7	78.1 A	78.1	78.1	80.9	82.3	86.3
2Q	82.9	77.2	92.2 A	89.6	92.5	84.0	97.0	100.9
3Q	71.1	69.5	82.0 E	85.5	86.1	87.5	90.9	96.6
4Q	69.5	74.2	82.1 E	88.6	81.9	86.7	86.2	99.7
FY	293.6	285.6	334.4	341.8	338.6	339.1	356.3	383.5
EBITDA	CY22a	CY23a	CY24e	Prev	CY25e	Prev	CY26e	Prev
1Q	-6.1	0.5	3.6 A	3.6	5.8	8.4	7.5	8.8
2Q	-10.3	4.5	-3.6 A	4.9	-0.9	8.1	7.4	9.2
3Q	-2.2	3.2	3.6 E	6.7	6.8	9.4	9.6	11.5
4Q	-2.7	-0.7	3.8 E	7.8	5.7	9.6	8.3	12.7
FY	-21.3	7.6	7.4	23.0	17.3	35.5	32.8	42.2

Share price (US\$)	1.07	Perf.	VFF	YOLO ETF	S&P500	Stance:	Overweight
Share count (mn)	110.2	30d	-1%	-2%	2%		no price target
Market Cap (US\$Mn)	118	90d	-12%	-15%	5%		FY=Dec
Ticker	VFF	1yr	17%	30%	27%		



\$Mn	FY24	FY25	FY26
Projected EV	141	132	114
EV/Sales	0.4x	0.4x	0.3x
EV/EBITDA	18.9x	7.6x	3.5x

	FY24	FY25	FY26
Net debt/Sales	0.0x	0.0x	na
Net debt/EBITDA	-1.4x	-0.1x	na
Free Cash Flow	-3.4	8.4	18.3
Net (debt) cash	-10.2	-1.9	16.4

Consensus	FY24	FY25	FY26
Sales	325.7	345.5	397.3
EBITDA	10.8	23.3	44.2
Guidance CY24:	n/a		

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## Company Update

### Outlook

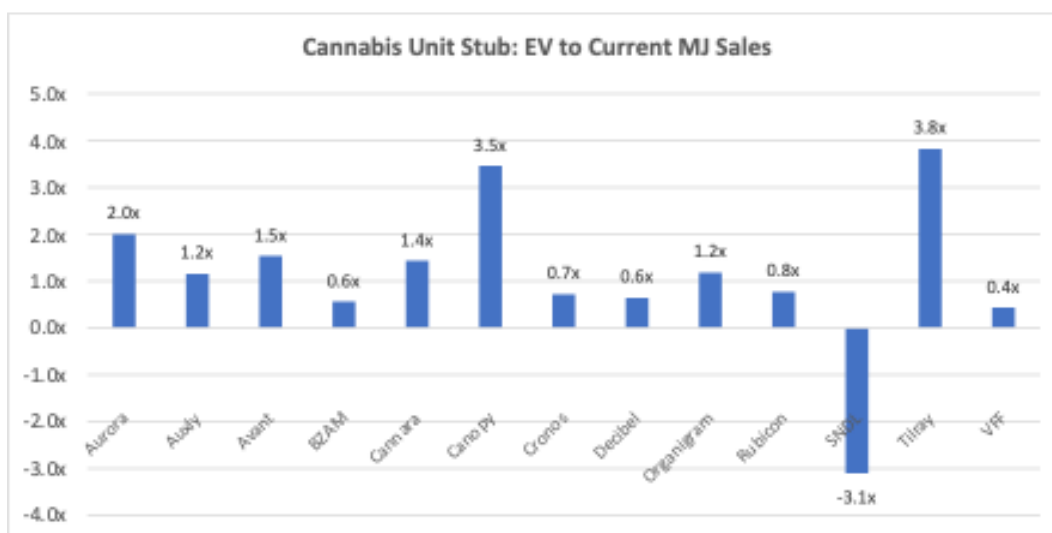
- Regarding the cannabis business, from a strategic point of view, VFF will prioritize the branded domestic cannabis business and international. In this sense, it will sell less into the B2B market for domestic purposes, allocating more output to its suite of domestic brands (value, mainstream, and premium). Recent performance reinforces confidence in the VFF cannabis brand portfolio.
- While the Hifyre scanner data may have overstated VFF's underlying performance for 2Q24 (pointing to >20% qoq growth both for flower and pre-rolls vs. +8% total growth reported), we note in 1Q24 shipments were ahead of scanner trends (reported sales were up 16% in 1Q24 vs. +5% for the scanner trends). What matters is that VFF is growing share.
- As per Hifyre, flower accounted for 79% of VFF cannabis sales in 2Q24 (pre-rolls 20%), with the PSF unit accounting for 62% and Rose Life Sciences (QC) for 38%. Re the PSF flower brand portfolio, the mix in 2Q24 was Original Fraser Valley 40% (average RSP of C\$3.04/gram), Pure Sunfarms 37% (C\$4.92), and Super Toast 18% (C\$4.14). The average flower RPS for the portfolio in 2Q24 was C\$4.38/gram vs. C\$4.24 in 1Q23.
- While international sales remained stable seq in 2Q24 at US\$1.5Mn, VFF is securing new supply contracts overseas (mostly on a B2B model) and projects further growth. Also, part of the company's domestic B2B sales are reshipped overseas by other companies. In the Netherlands, the company controls one of ten licensees that will be allowed to supply coffee shops, which are legally allowed to retail cannabis.
- Still, while domestic and international trends for the cannabis business are encouraging, earnings volatility in the Produce unit continues to impact total EBITDA and cash flow. In our view, this impacts sentiment on the stock and is one of the reasons why VFF trades at a discount despite its low-cost advantage in Canada cannabis and #2 domestic rec market position. Also, while we value the company's rec franchise, we note this is apparently a mid 20s gross margin business compared with ~60% for companies selling MMJ (medical cannabis) domestically and overseas (see our latest [ACB report](#)).
- For greater color on VFF, see our recent Zoom call with management ([link](#)) and our deep-dive into the latest scanner data trends in domestic rec ([report](#)).

**Brief 2Q24 highlights.** Domestic branded rec sales grew 7% qoq and +34% yoy to C\$41.8Mn (US\$30.5Mn), as PSF continues to gain market share (#2 and closing the gap with #1 Tilray). International sales were stable qoq at US\$1.5Mn, while bulk rose to US\$8.3Mn as the company cleared (bulk-related) inventories and made use of B2B demand (but indicated this number was one-off). Cannabis EBITDA margin rose seq by 90bp to 11.8%. But while the news was positive in the cannabis unit (with EBITDA of \$4.8Mn), total consolidated EBITDA was -\$3.6Mn (vs. +\$3.6Mn in 1Q24) due to a swing in Produce EBITDA to -\$6.4Mn (US CBD -\$0.24Mn; corporate EBITDA was

stable seq at -\$1.85Mn). Total free cash flow for 2Q24 worsened to -\$10Mn vs. -\$1.9Mn in 1Q24. In CY23, a big part of the VFF story was the improvement in FCF to -\$1.2Mn vs. \$34Mn in CY22 and CY23 at -\$61Mn, so the 2Q24 deterioration does raise some concerns. All that said, net debt leverage (-\$19Mn) is only 0.1x sales and 1.3x of EBITDA.

**Valuation.** At US\$1.07 per share, we calculate an EV of US\$149Mn (111.7mn shares; net debt of \$19Mn; \$10Mn in redeemable non-controlling interest; \$1Mn in leases net of right of use assets). So, taking the spot EV of US\$149Mn, VFF trades at 0.5x FactSet consolidated sales estimates (0.4x on CY25), and 6.6x CY25 EBITDA. If we strip out produce at \$30Mn (5x normalized EBITDA of \$6Mn), US CBD at 1x sales (\$20Mn), and the Texas greenhouses at \$50Mn, that would mean the cannabis business is valued at US\$49Mn, or 0.3x our CY24 sales estimate for the cannabis unit (US\$159.2Mn) and 2.2x EBITDA (\$22.4Mn). We realize questions about the value and upside optionality of the non-cannabis assets are subject to debate, but that should not take away from the thesis of attractive value in VFF. In short, investors can buy the #2 Canadian cannabis producer (one with a sustainable and disciplined financial model, with the lowest production costs, and international optionality) at a rather attractive valuation.

**Exhibit 1: Implied Value of Cannabis Strip for Canadian LPs**



Source: FactSet; Z&A Estimates

Table 1: Companies mentioned in this report.

Company name	Ticker	Ticker	Rating
<b>US MSOs</b>			
4Front Ventures		FFNTF	Not rated
Acreage Holdings		ACRDF	Not rated
Ascend Wellness		AAWH	Not rated
AYR Wellness		AYRWF	Not rated
Cannabist		CCHWF	Not rated
Cansortium		CNTMF	will cover
Cresco Labs		CRLBF	Overweight
Curaleaf Holdings		CURLF	will cover
GlassHouse Brands		GLASF	Not rated
Gold Flora		GRAM	Overweight
Goodness Growth		GDNSF	Not rated
Green Thumb Industries		GTBIF	Overweight
Grown Rogue		GRUSF	Not rated
Jushi Holdings		JUSHF	Overweight
MariMed		MRMD	Overweight
Planet 13 Holdings		PLNHF	Overweight
Schwazze		SHWZ	Not rated
StateHouse Holdings Inc		STHZF	Neutral
TerrAscend		TSNDF	Not rated
TILT Holdings		TLLTF	Overweight
Trulieve Cannabis		TCNNF	will cover
Verano Holdings		VRNOF	Overweight
Vext Science, Inc.		VEXTF	will cover
<b>Tech</b>			
Leafly		LFLY	Not rated
Springbig		SBIG	Not rated
WM Technology		MAPS	Neutral

Source: Z&amp;A

Company name	Ticker	Rating
<b>Canada LPs</b>		
Aurora Cannabis	ACB	Neutral
Auxly Cannabis Group	CBWTF	not rated
Avant Brands	AVTBF	not rated
Avicanna	AVCN	will cover
BZAM	BZAMF	not rated
Cannara Biotech	LOVFF	not rated
Canopy Growth Corporation	CGC	will cover
Cronos Group	CRON	not rated
Decibel Cannabis Co	DBCCF	Overweight
Organigram Holdings	OGI	will cover
Rubicon Organics	ROMJF	not rated
SNDL	SNDL	not rated
Tilray Brands	TLRY	Neutral
Village Farms Intl	VFF	Overweight
<b>Finance Companies</b>		
AFC Gamma	AFCG	will cover
Chicago Atlantic REFC	REFI	Overweight
Innovative Industrial Properties	IIPR	will cover
New Lake Capital Partners	NLCP	Overweight
RIV Capital	CNPOF	not rated
SHF Holdings	SHFS	not rated
Silver Spike Inv Corp	SSIC	will cover
<b>Other</b>		
Intercure	INCR	Overweight
Irwin Naturals	IWINF	Not rated
Ispire Technology	ISPR	will cover
Smoores International	SMORF	will cover



# Appendix I: Company Financials

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## Village Farms International: Company Update Post 2Q24 Print

### Exhibit 1: Financial Highlights

US\$Mn	CY22	CY23	1Q24	2Q24	3Q24e	4Q24e	CY24e	1Q25e	2Q25e	3Q25e	4Q25e	CY25e	CY26e	CY27e
<b>Proforma consolidated sales</b>	293.6	285.6	78.1	92.2	82.0	82.1	334.4	78.1	92.5	86.1	81.9	338.6	356.3	375.4
qoq ch %	na	na	5%	18%	-11%	0%	na	-5%	18%	-7%	-5%	na	na	na
yoy ch %	10%	-3%	21%	19%	18%	11%	17%	0%	0%	5%	0%	1%	5%	5%
guidance		na					na					na	na	na
consensus					80.6	81.5	325.7	80.7	92.4	88.2	89.1	345.5	397.3	na
<b>Profit margins</b>														
Gross profit after FV adj	27.5	49.4	15.5	9.2	14.9	15.2	54.9	16.9	11.3	18.2	17.0	63.5	81.3	87.5
as % of sales	9.4%	17.3%	19.9%	10.0%	18.2%	18.5%	16.4%	21.6%	12.3%	21.2%	20.8%	18.7%	22.8%	23.3%
Op exp	72.3	65.5	16.4	19.7	16.2	16.3	68.5	16.0	17.2	16.3	16.3	65.8	68.3	71.0
as % of sales	24.6%	22.9%	21.0%	21.3%	19.7%	19.8%	20.5%	20.5%	18.6%	19.0%	19.9%	19.4%	19.2%	18.9%
EBIT	-44.8	-16.1	-0.9	-10.4	-1.2	-1.1	-13.6	0.9	-5.8	1.9	0.7	-2.3	12.9	16.6
as % of sales	-15.2%	-5.6%	-1.1%	-11.3%	-1.5%	-1.3%	-4.1%	1.2%	-6.3%	2.2%	0.9%	-0.7%	3.6%	4.4%
Adj EBITDA	-21.3	7.6	3.6	-3.6	3.6	3.8	7.4	5.8	-0.9	6.8	5.7	17.3	32.8	36.8
as % of sales	-7.3%	2.7%	4.6%	-3.9%	4.4%	4.6%	2.2%	7.4%	-1.0%	7.9%	6.9%	5.1%	9.2%	9.8%
consensus					3.6	4.2	10.8	5.5	5.0	6.6	6.8	23.3	44.2	na
as % of sales					4.4%	5.2%	3.3%	6.8%	5.4%	7.5%	7.7%	6.7%	11.1%	na
<b>EPS</b>														
Pre tax income	-96.7	-27.4	-2.4	-23.3	-2.0	-1.7	-29.3	0.3	-6.5	1.2	0.1	-4.9	10.7	14.9
Tax rate assumption	-4.8%	-16.3%	-13.6%	-1.1%	20.0%	20.0%	0.5%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
Net income	-101.4	-31.8	-2.7	-23.6	-1.6	-1.4	-29.2	0.2	-5.2	1.0	0.1	-3.9	8.6	11.9
Share count (FD) Mn	89.1	108.7	110.2	111.0	111.0	111.0	110.8	111.0	111.0	111.0	111.0	111.0	111.0	111.0
EPS	-1.13	-0.29	-0.03	-0.21	-0.01	-0.01	-0.26	0.00	-0.05	0.01	0.00	-0.04	0.08	0.11
consensus					-0.02	-0.02	-0.19	0.00	-0.01	0.01	0.01	0.02	0.21	na
<b>BS &amp; CF highlights</b>														
Operating cash flow	-19.9	5.3	-0.1	-7.0	8.7	3.4	5.1	7.2	-7.9	9.3	7.2	15.8	26.2	33.5
(-) Capex	-14.3	-6.5	-1.9	-3.0	-1.8	-1.8	-8.5	-1.7	-2.0	-1.9	-1.8	-7.4	-7.8	-8.3
Free cash flow	-34.2	-1.2	-1.9	-10.0	6.9	1.6	-3.4	5.5	-10.0	7.4	5.4	8.4	18.3	25.3
Ending net cash (debt)	-39.3	-16.8	-18.4	-18.8	-11.8	-10.2	-10.2	-4.7	-14.7	-7.3	-1.9	-1.9	16.4	41.7
Net debt/Sales	-0.1x	-0.1x	-0.1x	-0.1x	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x	0.1x
Net debt/EBITDA	1.8x	-2.2x	-1.3x	1.3x	-0.8x	-0.7x	-1.4x	-0.2x	3.9x	-0.3x	-0.1x	-0.1x	0.5x	1.1x
Equity	303.1	302.6	296.2	275.2	273.6	272.2	272.2	272.4	267.2	268.2	268.3	268.3	276.9	288.8

Source: Z&A estimates, company reports

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## Village Farms International: Company Update Post 2Q24 Print

### Exhibit 2: Divisional Split

US\$Mn	CY22	CY23	1Q24	2Q24	3Q24e	4Q24e	CY24e	1Q25e	2Q25e	3Q25e	4Q25e	CY25e	CY26e	CY27e
<b>Sales</b>	<b>293.6</b>	<b>285.6</b>	<b>78.1</b>	<b>92.2</b>	<b>82.0</b>	<b>82.1</b>	<b>334.4</b>	<b>78.1</b>	<b>92.5</b>	<b>86.1</b>	<b>81.9</b>	<b>338.6</b>	<b>356.3</b>	<b>375.4</b>
Produce	160.3	151.2	36.1	47.0	37.1	38.6	158.9	36.5	47.5	37.5	39.0	160.4	162.0	163.7
Cannabis	109.9	114.0	37.4	40.7	40.5	39.2	157.9	37.3	40.6	44.2	38.5	160.5	176.3	193.4
Energy	0.1	0.0	0.0	0.1	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
US CBD	23.3	20.3	4.5	4.3	4.3	4.3	17.5	4.4	4.4	4.4	4.4	17.6	17.9	18.3
<b>Gross Margin</b>	<b>9.4%</b>	<b>17.3%</b>	<b>19.9%</b>	<b>10.0%</b>	<b>18.2%</b>	<b>18.5%</b>	<b>16.4%</b>	<b>21.6%</b>	<b>12.3%</b>	<b>21.2%</b>	<b>20.8%</b>	<b>18.7%</b>	<b>22.8%</b>	<b>23.3%</b>
Produce	-10.8%	0.1%	9.2%	-8.9%	3.0%	4.0%	1.1%	9.3%	-8.8%	3.1%	4.1%	1.2%	5.4%	5.4%
Cannabis	26.7%	31.5%	25.4%	26.3%	28.0%	30.0%	27.4%	31.0%	32.0%	33.0%	35.0%	32.8%	35.0%	35.0%
Energy	na	na	na	na	na	na	na	na	na	na	na	na	na	na
US CBD	67.2%	65.6%	59.4%	61.2%	60.0%	60.0%	60.1%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%	60.0%
<b>EBITDA</b>	<b>-21.3</b>	<b>7.6</b>	<b>3.6</b>	<b>-3.6</b>	<b>3.6</b>	<b>3.8</b>	<b>7.4</b>	<b>5.8</b>	<b>-0.9</b>	<b>6.8</b>	<b>5.7</b>	<b>17.3</b>	<b>32.8</b>	<b>36.8</b>
Produce	-24.4	0.5	2.0	-6.4	0.7	1.1	-2.5	3.0	-5.2	0.8	1.1	-0.3	6.5	6.6
Cannabis	13.1	14.8	4.1	4.8	6.4	6.8	22.0	6.6	8.0	9.6	8.5	32.7	40.1	44.3
Energy	-0.3	-0.2	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.1
US CBD	0.2	0.9	-0.6	-0.2	-0.4	-0.4	-1.6	-0.4	-0.3	-0.3	-0.3	-1.4	-1.1	-0.9
Corporate	-10.0	-8.4	-1.9	-1.8	-3.1	-3.6	-10.4	-3.5	-3.4	-3.2	-3.6	-13.7	-12.5	-13.1
<b>EBITDA margin</b>	<b>-7.3%</b>	<b>2.7%</b>	<b>4.6%</b>	<b>-3.9%</b>	<b>4.4%</b>	<b>4.6%</b>	<b>2.2%</b>	<b>7.4%</b>	<b>-1.0%</b>	<b>7.9%</b>	<b>6.9%</b>	<b>5.1%</b>	<b>9.2%</b>	<b>9.8%</b>
Produce	-15.2%	0.3%	5.6%	-13.5%	1.9%	2.7%	-1.6%	8.3%	-10.9%	2.0%	2.9%	-0.2%	4.0%	4.1%
Cannabis	11.9%	12.9%	10.9%	11.8%	15.7%	17.3%	13.9%	17.6%	19.7%	21.7%	22.1%	20.4%	22.7%	22.9%
Energy	na	na	na	na	na	na	na	na	na	na	na	na	na	na
US CBD	1.0%	4.2%	-13.6%	-5.6%	-8.9%	-8.6%	-9.2%	-8.2%	-7.9%	-7.5%	-7.2%	-7.7%	-6.3%	-5.0%
Corp as % of to	-3.4%	-2.9%	-2.4%	-2.0%	-3.7%	-4.4%	-3.1%	-4.4%	-3.7%	-3.7%	-4.4%	-4.0%	-3.5%	-3.5%

Source: Z&A estimates, company reports

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## Village Farms International: Company Update Post 2Q24 Print

### Exhibit 3: Cannabis Projections

US\$Mn	CY22	CY23	1Q24	2Q24	3Q24e	4Q24e	CY24e	1Q25e	2Q25e	3Q25e	4Q25e	CY25e	CY26e	CY27e
<b>Sales</b>	<b>107.2</b>	<b>112.0</b>	<b>37.0</b>	<b>40.3</b>	<b>40.5</b>	<b>39.2</b>	<b>157.0</b>	<b>37.3</b>	<b>40.6</b>	<b>44.2</b>	<b>38.5</b>	<b>160.5</b>	<b>176.3</b>	<b>193.4</b>
Canada cannab	103.4	107.4	35.5	38.8	39.0	37.5	150.8	35.6	38.8	42.2	36.5	153.0	167.2	182.3
branded	85.5	91.9	29.0	30.5	32.5	31.7	123.7	30.1	32.8	35.8	31.0	129.7	142.7	156.6
bulk	17.8	15.5	6.5	8.3	6.5	5.9	27.1	5.5	5.9	6.4	5.5	23.3	24.5	25.7
International	3.9	4.6	1.5	1.5	1.6	1.7	6.2	1.7	1.8	1.9	2.0	7.5	9.1	11.1
<b>Cannabis P&amp;L</b>														
Sales	107.2	112.0	37.0	40.3	40.5	39.2	157.0	37.3	40.6	44.2	38.5	160.5	176.3	193.4
qoq ch %	na	na	17%	9%	1%	-3%	na	-5%	9%	9%	-13%	na	na	na
yoy ch %	11%	4%	47%	44%	44%	24%	40%	1%	1%	9%	-2%	2%	10%	10%
Gross profit	29.4	35.9	9.5	10.7	11.3	11.8	43.3	11.6	13.0	14.6	13.5	52.6	61.7	67.7
as % of sales	27.4%	32.1%	25.7%	26.6%	28.0%	30.0%	27.6%	31.0%	32.0%	33.0%	35.0%	32.8%	35.0%	35.0%
EBIT	-2.2	4.5	2.1	1.7	3.8	4.3	11.8	4.1	5.5	7.1	6.0	22.6	29.8	34.0
as % of sales	-2.1%	4.0%	5.6%	4.2%	9.5%	10.9%	7.5%	10.9%	13.5%	16.0%	15.5%	14.1%	16.9%	17.6%
EBITDA	13.1	14.8	4.1	4.8	6.4	6.8	22.0	6.6	8.0	9.6	8.5	32.7	40.1	44.3
as % of sales	12.2%	13.2%	11.0%	12.0%	15.7%	17.3%	14.0%	17.6%	19.7%	21.7%	22.1%	20.4%	22.7%	22.9%
<b>Branded rec assumptions</b>														
Canada rec mar	4,518	5,163	1,196	1,289	1,391	1,338	5,214	1,255	1,354	1,460	1,249	5,318	5,584	5,864
Canada rec mar	3,470	3,826	887	942	1,014	977	3,821	917	989	1,067	912	3,884	4,078	4,282
wholesale adj	1,388	1,531	355	377	406	391	1,528	367	395	427	365	1,554	1,631	1,713
PSF branded sa	85.5	91.9	29.0	30.5	32.5	31.7	123.7	30.1	32.8	35.8	31.0	129.7	142.7	156.6
in C\$Mn	112.2	124.0	39.1	41.8	44.5	43.4	168.7	41.2	44.9	49.1	42.5	177.7	195.5	214.4
share %	6.2%	6.0%	8.2%	8.1%	8.0%	8.1%	8.1%	8.2%	8.3%	8.4%	8.5%	8.4%	8.8%	9.1%

(\*) in practice, this may be more in the low/mid 30s.

Source: Z&A estimates, Hifyre, StatCan, company reports



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### Exhibit 4: Canadian Cannabis Rec Market Assumptions

Mn	2019	2020	2021	2022	2023	1Q24e	2Q24e	3Q24e	4Q24e	2024e	2025e	2026e	2027e	2028e
<b>Our projections</b>														
Rec (US\$)	926	1,955	3,092	3,470	3,826	887	942	1,014	977	3,821	3,884	4,078	4,282	4,496
Rec (C\$)	1,188	2,620	3,875	4,518	5,163	1,196	1,289	1,391	1,338	5,214	5,318	5,584	5,864	6,157
yoy ch %	679%	121%	48%	17%	14%	1%	1%	1%	1%	1%	2%	5%	5%	5%
qoq ch %	na	na	na	na	na	-10%	8%	8%	-4%	na	na	na	na	na
	Nov	Nov	Nov	Nov	Nov	Feb	May	Aug	Nov	Nov	Nov	Nov	Nov	Nov
Rec (C\$)	1,097	2,470	3,819	4,448	5,140	1,237	1,258	1,357	1,356	5,209	5,348	5,564	5,917	6,220
yoy ch %		125%	55%	16%	16%	4%	0%	0%	2%	1%	3%	4%	6%	5%
qoq ch %	na	na	na	na	na	-7%	2%	8%	0%	na	na	na	na	na
<b>Sales by province</b>														
Ontario	254	722	1,423	1,803	2,125	457								
Alberta	286	575	717	797	894	223								
British Columbia	255	370	551	670	797	175								
Quebec	97	496	601	586	623	160								
Rest	296	457	583	662	723	180								
YoY ch %		121%	48%	17%	14%	1%								
Ontario		184%	97%	27%	18%	-6%								
Alberta		101%	25%	11%	12%	8%								
British Columbia		45%	49%	21%	19%	-3%								
Quebec		412%	21%	-2%	6%	10%								
Rest		54%	28%	14%	9%	10%								
QoQ ch %		na	na	na	na	-10%								

Source: Z&A estimates, company reports

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### Exhibit 5: Cash Flow

US\$ 000s														
SUMMARY CASH FLOW	CY22	CY23	1Q24	2Q24	3Q24e	4Q24e	CY24e	1Q25e	2Q25e	3Q25e	4Q25e	CY25e	CY26e	CY27e
Net earnings	-101,146	-31,798	-2,852	-23,549	-1,563	-1,385	-29,349	212	-5,188	989	87	-3,900	8,552	11,920
(+) D&A	13,054	15,926	4,558	4,840	4,847	4,868	19,113	4,868	4,889	4,913	4,936	19,606	19,881	20,267
Cash earnings	-88,092	-15,872	1,706	-18,709	3,283	3,483	-10,236	5,080	-300	5,902	5,023	15,706	28,434	32,187
(-) Working capital changes	-2,246	-2,088	-3,290	-3,109	5,434	-75	-1,040	2,135	-7,640	3,404	2,218	117	-2,277	1,356
(-) Other operating flows	70,449	23,275	1,534	14,799	1	1	16,334	1	0	0	0	2	2	1
Net operating cash flow	-19,889	5,315	-50	-7,019	8,718	3,409	5,058	7,215	-7,939	9,307	7,242	15,825	26,158	33,544
(-) net capex	-14,292	-6,518	-1,876	-3,003	-1,804	-1,807	-8,490	-1,719	-2,034	-1,894	-1,802	-7,449	-7,839	-8,258
Free cash flow	-34,181	-1,203	-1,926	-10,022	6,914	1,602	-3,432	5,496	-9,973	7,413	5,440	8,376	18,319	25,287
(-) acquisitions	-5,873	0	0	-3,096	0	0	0	0	0	0	0	0	0	0
(-) divestitures	0	0	0	0	0	0	0	0	0	0	0	0	0	0
(+) other	4,778	-1,099	295	12,754	0	0	13,049	0	0	0	0	0	0	0
(+) share issuance/repurchases	6,692	24,772	0	0	0	0	0	0	0	0	0	0	0	0
(-) stock options/warrants	192	83	0	0	0	0	0	0	0	0	0	0	0	0
Change in net	-28,392	22,553	-1,631	-364	6,914	1,602	6,521	5,496	-9,973	7,413	5,440	8,376	18,319	25,287
	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Ending net (debt)	-39,320	-16,767	-18,398	-18,762	-11,848	-10,246	-10,246	-4,749	-14,722	-7,309	-1,869	-1,869	16,450	41,736
Cash/inv/sec	21,676	35,291	31,685	29,657	34,612	36,227	36,227	41,346	32,722	39,534	44,583	44,583	63,304	88,351
Gross debts/loans/bonds	60,996	52,058	50,083	48,419	46,459	46,472	46,472	46,095	47,445	46,844	46,452	46,452	46,854	46,614
Net debt / Sales	-0.1x	-0.1x	-0.1x	-0.1x	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x	0.1x
Net debt / Adj EBITDA	1.1x	-2.2x	-1.3x	1.3x	-0.8x	-0.7x	-1.4x	-0.2x	3.9x	-0.3x	-0.1x	-0.1x	0.5x	1.1x

Source: Z&A estimates, company reports



# Appendix II: Valuation Comps

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Exhibit 6: Canada LPs - Valuation Multiples (consolidated multiples)

Multiples 21-Aug-24	Z&A Spot EV / Sales			Z&A Spot EV / EBITDA			Financial Net Debt				Broadly Defined Net Debt			
							Sales		EBITDA		Sales		EBITDA	
	Current	2024	2025	Current	2024	2025	Current	CY24	Current	CY24	Current	CY24	Current	CY24
Aurora Cannabis Inc.	1.9x	1.6x	1.5x	54.1x	23.1x	14.6x	na	na	na	na	0.0x	na	1.4x	na
Auxly Cannabis Group Inc.	1.2x	na	na	13.9x	na	na	-0.4x	na	-5.0x	na	-0.6x	na	-6.8x	na
Avant Brands Inc	0.9x	na	na	2.0x	na	na	-0.2x	na	-0.4x	na	-0.5x	na	-1.1x	na
BZAM Ltd	0.6x	na	na	-1.5x	na	na	-0.4x	na	1.0x	na	-0.5x	na	1.4x	na
Cannara Biotech	1.4x	na	na	8.0x	na	na	-0.6x	na	-3.3x	na	-0.6x	na	-3.3x	na
Canopy Growth Corporation	1.1x	4.7x	2.9x	-5.7x	-77.4x	156.5x	-0.3x	-1.3x	1.6x	21.0x	-0.3x	-1.3x	1.6x	21.0x
Cronos Group Inc	0.7x	0.6x	0.5x	-1.6x	-1.9x	-57.9x	na	na	na	na	8.4x	7.7x	-20.0x	-24.5x
Decibel Cannabis Company Inc	0.9x	0.8x	0.7x	5.0x	4.2x	3.2x	-0.4x	-0.4x	-2.6x	-2.2x	-0.4x	-0.4x	-2.6x	-2.2x
High Tide, Inc.	0.4x	0.4x	0.4x	5.2x	5.5x	4.3x	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x	-0.1x	-0.1x
Nova Cannabis Inc	0.4x	0.4x	0.3x	6.1x	5.5x	3.7x	0.0x	0.0x	0.0x	0.0x	0.0x	0.0x	-0.5x	-0.4x
OrganiGram Holdings Inc	1.3x	1.2x	1.0x	-13.1x	39.7x	13.6x	na	na	na	na	0.5x	0.5x	-5.0x	15.2x
Rubicon Organics, Inc.	0.9x	na	na	-18.3x	na	na	-0.1x	na	1.7x	na	-0.1x	na	1.7x	na
SNDL Inc.	0.8x	0.7x	0.6x	15.2x	73.6x	na	na	na	na	na	0.2x	0.2x	4.3x	20.9x
Tilray Brands, Inc.	2.3x	1.9x	1.7x	42.0x	18.5x	14.5x	-0.1x	-0.1x	-1.5x	-0.7x	-0.2x	-0.1x	-3.1x	-1.4x
Village Farms International, Inc.	0.5x	0.5x	0.4x	10.4x	17.1x	6.3x	-0.1x	-0.1x	-1.3x	-2.1x	-0.1x	-0.1x	-1.4x	-2.2x

Source: FactSet and company reports

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### Exhibit 7: Canada LPs - EV Calculations

C\$Mn 21-Aug-24	FactSet Spot EV	Z&A Spot EV	C\$ price	mn shares	mn deriv	Total Mkt Cap	Financial net debt	Net leases	ST income tax liab.	Conting Cons.	ITM deriv inflow	Total BDND	Pref Stock Min Int
Aurora Cannabis Inc.	411	502	8.68	54.6	0.0	474	63	-50		0		13	41
Auxly Cannabis Group Inc.	173	125	0.04	1,250.3	249.9	64	-45	-16		0		-61	
Avant Brands Inc	20	30	0.05	278.6	2.0	14	-6	-10				-16	
BZAM Ltd	116	49	0.02	180.8	0.2	4	-31	-14				-45	
Cannara Biotech	85	112	0.73	90.0	0.0	65	-46	0	-1			-46	
Canopy Growth Corporation	na	1,351	8.72	111.1	1.8	985	-366					-366	
Cronos Group Inc	85	91	3.23	382.0	7.8	1,260	1,171	-2				1,169	
Decibel Cannabis Company Inc	71	71	0.08	409.0	15.8	34	-38	1				-37	
High Tide, Inc.	219	215	2.68	78.6	0.4	212	0	-3				-3	
Nova Cannabis Inc	1	109	1.75	57.3		100	-1	-8				-9	
OrganiGram Holdings Inc	189	189	2.63	94.5	5.0	262	72		0			72	
Rubicon Organics, Inc.	32	31	0.47	56.2	4.1	28	-3	0				-3	
SNDL Inc.	511	622	2.92	263.2	10.9	799	217	-40				177	
Tilray Brands, Inc.	2,245	2,337	2.56	831.9		2,130	-84	-68		-21		-172	34
Village Farms International, Inc.	184	205	1.47	111.7		164	-26	-1				-27	15

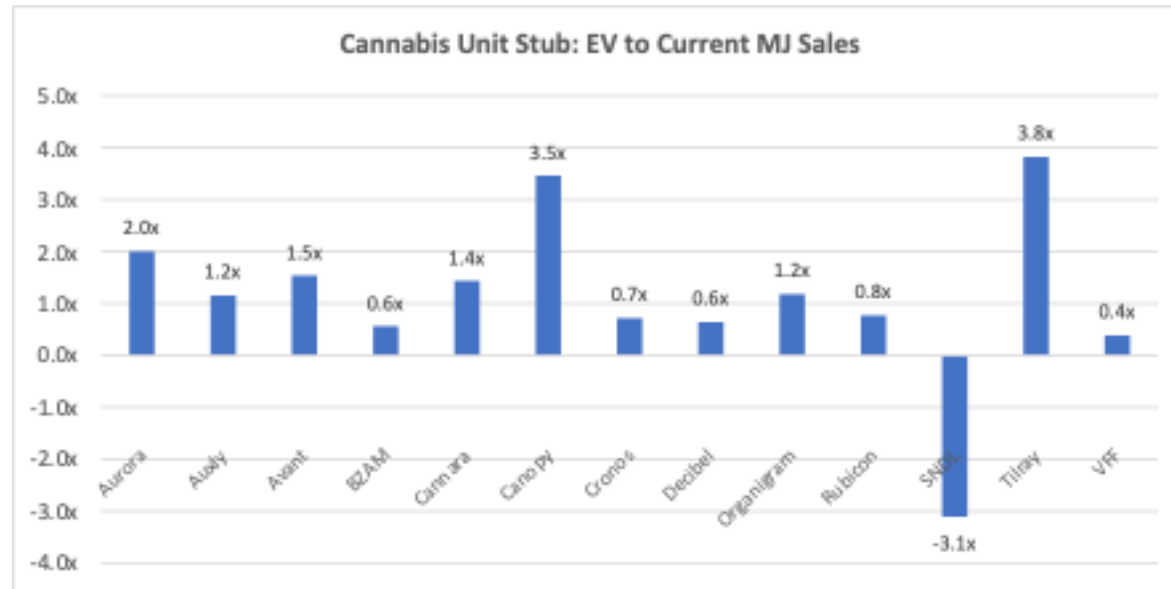
Source: FactSet and company reports

**Exhibit 8: Canada LPs - Implied Value of Cannabis Strip**

C\$Mn	Aurora	Ausly	Avant	BZAM	Cannara	Canopy	Cronos	Decibel	OGI	Rubicon	SNDL	Tilray	VFF
Total EV	502	125	30	49	112	1,351	91	71	189	31	622	2,337	205
MJ EV	457	125	30	49	112	701	91	71	189	31	-238	1,413	68
MJ Sales (ann.)	227	108	19	88	79	203	127	111	158	40	77	369	174
MJ multiple	2.0x	1.2x	1.5x	0.6x	1.4x	3.5x	0.7x	0.6x	1.2x	0.8x	-3.1x	3.8x	0.4x

Note: We take acquisition value in the case of CGC's units (Storz & Bickel, Wana, Jetty) and market value for stakes in Acreage/TerrAscend

Source: FactSet; Z&A Estimates

**Exhibit 9: Implied Value of Cannabis Strip for Canada LPs**


Source: FactSet; Z&A Estimates

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### Exhibit 10: Stock Performance

21-Aug-24	Stock Performance		
	Last	Last	Last
Ticker	30d	90d	12mo
<b>US MSOs</b>			
AAWH	21%	-8%	99%
ACRDF	-31%	-52%	-3%
AYRWF	-11%	-27%	123%
CBSTF	31%	0%	-35%
CNTMF	-4%	-18%	120%
CRLBF	8%	-13%	67%
CURLF	-25%	-39%	7%
CXXIF	0%	-30%	-5%
FFNTF	-45%	-42%	-39%
GLASF	40%	4%	149%
GRAMF	-39%	-61%	-32%
GDNSF	6%	-21%	370%
GRUSF	3%	-27%	236%
GTBIF	-5%	-14%	56%
ITHUF	-13%	-23%	12%
JUSHF	4%	-15%	33%
LOWLF	-65%	-85%	-96%
MRMD	16%	-19%	-34%
PLNH	27%	2%	21%
SHWZ	-40%	-65%	-75%
STHZF	22900%	53%	-1%
TCNMF	-4%	-14%	162%
TLTFF	-15%	-48%	-38%
TSNDF	16%	-9%	-17%
VEXTF	-4%	-20%	-1%
VRNOF	3%	-17%	43%

	Stock Performance		
	Last	Last	Last
Ticker	30d	90d	12mo
<b>Canadian LPs</b>			
ACB	10%	-7%	27%
AVTBF	-18%	-36%	-74%
BZAMF	-41%	-41%	-86%
CBWTF	27%	-14%	175%
CGC	-11%	-32%	54%
CRON	-1%	-15%	32%
DBCCF	53%	-19%	-47%
ETRGF	23%	20%	-34%
HITI	5%	-18%	51%
LOVFF	21%	-11%	-32%
NVACF	45%	42%	218%
OGI	16%	2%	29%
ROMJF	0%	16%	-2%
SNDL	3%	-9%	30%
TLRY	4%	1%	-25%
VFF	-1%	-12%	17%
<b>Cannabis - International</b>			
CLVR	-99%	-19%	-30%
IMCC	29%	-99%	-100%
INCR	-16%	-11%	24%
LGPPF	na	na	na
PCLOF	-14%	20%	63%
<b>Tech</b>			
LFLY	-9%	10%	-71%
SBIG	-42%	-51%	-62%
MAPS	3%	9%	-9%

	Stock Performance		
	Last	Last	Last
Ticker	30d	90d	12mo
<b>MJ Fincos</b>			
AFCG	7%	-19%	-19%
CNPOF	28%	13%	24%
IIPR	1%	8%	56%
NLCP	2%	-4%	57%
PW	16%	100%	23%
SHFS	0%	-17%	50%
SSIC	-4%	1%	21%
REFI	-3%	0%	9%
<b>Pix &amp; Shovel</b>			
AGFY	-23%	-24%	-89%
GRWG	-8%	-12%	-20%
HYFM	-16%	-32%	-47%
SMG	7%	8%	44%
UGRO	-1%	-9%	32%
<b>Vape parts</b>			
GNLN	182%	40%	-1%
ISPR	16%	-2%	-24%
SMORF	-18%	6%	2%
TLLTF	-15%	-48%	-38%
<b>Index</b>			
S&P 500	2%	5%	27%
S&P 477	4%	5%	14%
Nasdaq	12%	12%	35%
MSOS ETF	-4%	-20%	42%
YOLO ETF	-2%	-15%	30%

Source: FactSet



# Appendix III: Bio and Disclaimers





## Analyst Bio

Pablo Zuanic is a well-known and highly rated equity analyst following the cannabis and psychedelics sector. Over the past five years he launched coverage of over 40 companies in the US, Canada, and overseas (MSOs, LPs, CBD, ancillary, psychedelics), kept close track of sectoral trends, and followed the reform process in the US, Canada, Germany, Australia, and elsewhere. His firm Zuanic & Associates publishes equity research on the cannabis and psychedelics sectors, both from a macro/sectoral level in a thematic manner, as well as on listed stocks. The research service is aimed at institutional investors and corporations. The firm is also available for short-term consulting and research advisory projects. Now, more than a year since its inception, the firm has collaborated with over 25 companies (in North America and overseas; plant touching and service providers; public and private), both on an on-going basis as well for specific projects. At various points in his career, Pablo Zuanic was II ranked and called as expert witness in industry investigations. He has a deep global background having covered stocks over the past 20 years in the US, Europe, Latin America, and Asia, across consumer sub sectors. Prior employers include JP Morgan, Barings, and Cantor Fitzgerald. An MBA graduate of Harvard Business School, he started his career as a management consultant, which brings a strategic mindset to his approach to equity research. *Pablo Zuanic can be contacted via the company's portal [www.zuanicassociates.com](http://www.zuanicassociates.com); via email at [pablo.zuanic@zuanicgroup.com](mailto:pablo.zuanic@zuanicgroup.com); or via X @420Odysseus.*



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